

# Fairfax County Economic Index

Volume I, Number 10

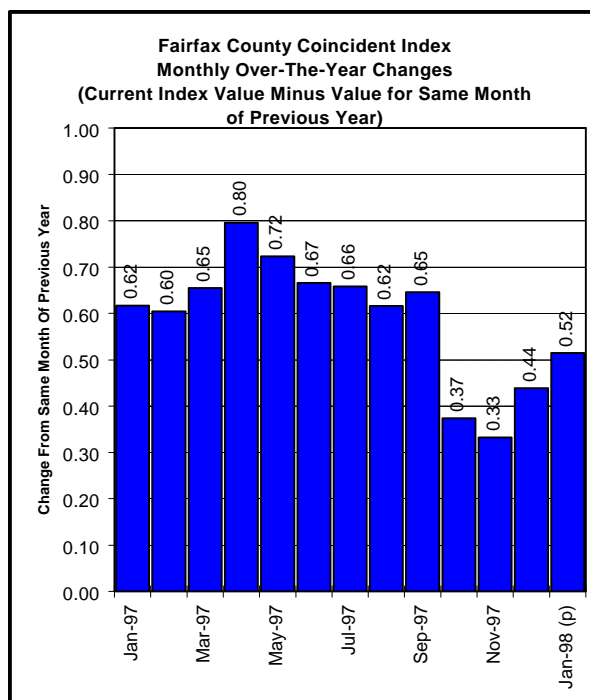
MARCH 1998

## Economy Starts Off Well in 1998 Outlook Points Toward Moderation

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 103.43 in January, up 0.17 percent. The Index has increased in each of the past three months and was up in nine of the last twelve months, for an annual gain of 0.5 percent. As of January, the Coincident Index was at its highest level. Three of the Index's four components contributed to its gain in January.

- Total employment was up, sharply increasing for the tenth time in twelve months;
- Transient Occupancy Tax collections increased for a third consecutive month; and
- Sales Tax receipts increased following two months of decline; while
- Consumer confidence dropped and has now declined in four of the last five months.

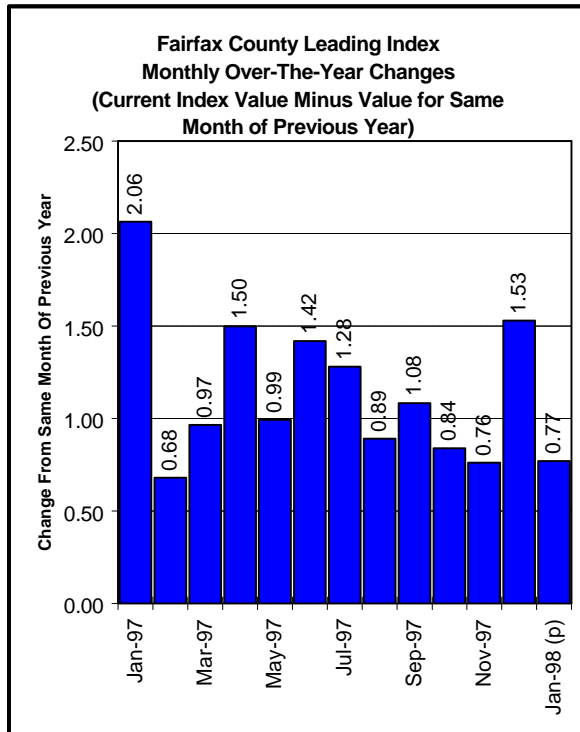
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, increased 0.16 percent to 104.79 in January following a strong gain in December. Since last September, the Leading Index has increased in four of five months pointing to continued economic expansion through 1998. However, over the last



Source: GMU Center for Regional Analysis.

ten months, the index has become more volatile suggesting that the economy's future performance may be uneven. January's increase in the Leading Index was based on strong gains in two of its five components

- The mean value of residential building permits was up substantially for a second month; and



Source: GMU Center for Regional Analysis.

- Initial claims for unemployment insurance decreased (improved) erasing December's increase; however,
- New automobile registrations fell for the second time in three months;
- Consumer expectations (consumer confidence six months hence) declined for the third time in four months; and
- Residential building permits decreased for a second consecutive month.

## CURRENT CONDITIONS

Re-benchmarked metropolitan employment data for 1997 show the area economy to have been much stronger than previously reported. Preliminary job growth for 1997 had been estimated at 42,700; revised data show job gains to be 11,000 more than expected totaling 53,700. The strength of the economy continued to be the private sector with its revised increase totaling 60,400 net new jobs, a gain of 3.3 percent.

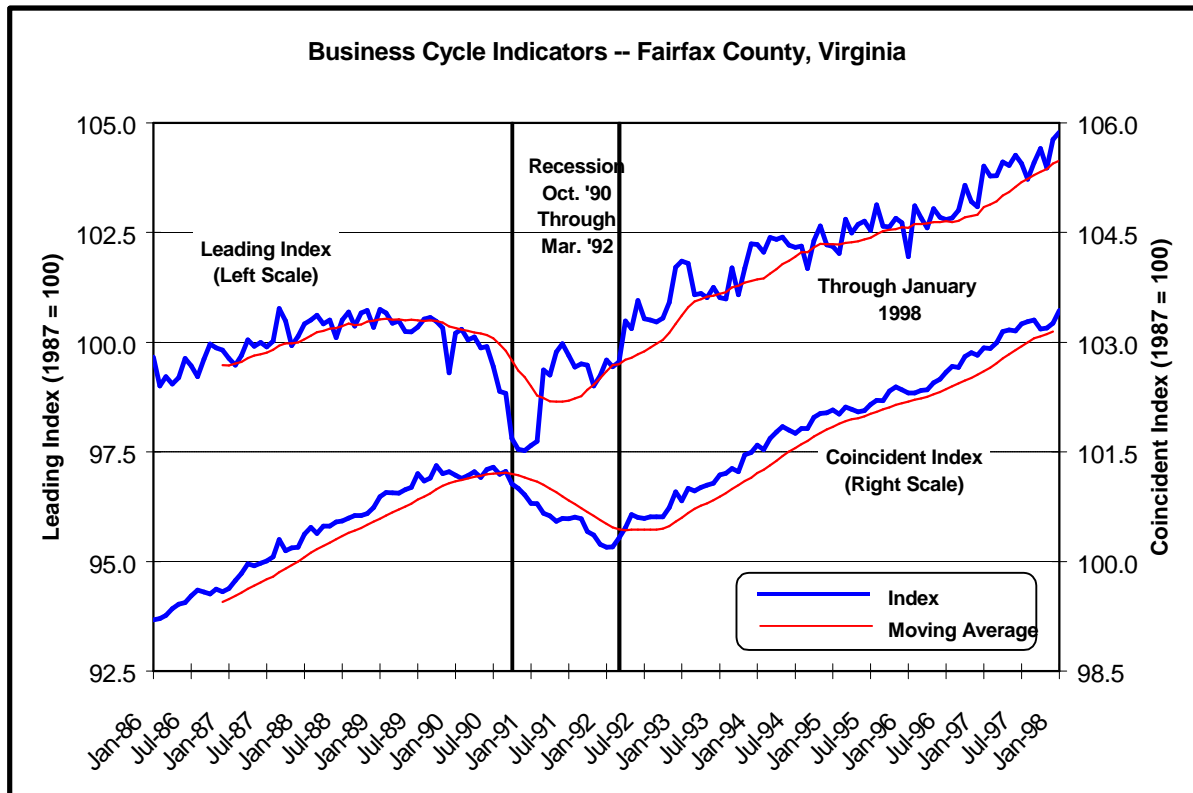
Gains in the service sector accounted for

most of the growth. While comprising 37 percent of the area's job base, the service sector generated 43,000 new jobs or 80.3 percent of the area's total job gain for the year. Within the service sector, business services grew the most, accounting for 26,000 new jobs for a gain of 11 percent. Business services, including many of the area's technology-based jobs, comprised 26.1 percent of the service sector employment base but generated 60.3 percent of its job gain.

Job growth in Northern Virginia accounted for approximately 80 percent of the Washington area's net new jobs and Fairfax County generated about half of Northern Virginia's gain; that is, job gains in Fairfax County accounted for almost 40 percent of the job growth in the entire metropolitan Washington area. The County's private sector job base gained 6 percent in 1997, more than double the national job growth rate for private sector. Employment estimates for January show this pattern to be continuing with monthly over-the year gains estimated at 20,081 jobs, for an overall increase of 4.55 percent.

While job growth is a major measure of the County's economic strength, continuing job generation may mask a moderation in the economy's performance. Strong job growth will likely continue for many months as the backlog of unfilled jobs remains large. And while these new jobs will help support broader economic growth in Fairfax County, there are other aspects of the economy that are pointing to slower growth.

Consumer spending is a major force in the economy's overall performance. With consumer confidence dropping in four of the past six months, consumer spending may also slow in coming months. However, on a seasonally adjusted basis, January retail sales were strong and exceeded sales in January 1997 by 5.9 percent. Still, auto sales in Fairfax County have trended downward over the year with January sales down both from December's level and from same-month sales a year ago. With consumers feeling somewhat less confident about the coming six months, as indicated by the drop in consumer expectations during the last four months, durable goods spending may lag in the coming months.



Source: GMU Center for Regional Analysis.

## NEAR-TERM OUTLOOK

Fairfax County's Leading Index has trended lower over the last ten months, while at the same time, it has become more volatile. The Index's strong performance during the second quarter last year forecasted the economic strengthening that occurred at year end and has carried over into the beginning of 1998. The Index's slow moderation during the second half of 1997 suggests that the County's economy should moderate this spring and through the summer.

The Index's volatility, with alternating monthly gains and losses, reflects the likelihood of this uneven performance showing up in the economy's future performance. While some volatility may have been caused by seasonal factors or irregular events, such as a major drop in the stock market indices, and will not carry over into the broader economy, the uncertainty these events cause will tend to dampen the economy's performance over time. If the Leading Index continues to gyrate, as it has over the past six

months, the consequences will likely show up in the Coincident Index trend flattening later in the year.

However, the signs of moderation may be difficult to see due to the economy's robust performance. Early signs of slowing will include weaker consumer spending, possibly some softening in the labor market (although pent-up demand will likely remain strong through the year), a slowing of new home sales and residential building permits, and finally, slower employment growth. As only a slight moderation is forecasted at this time, sharp or prolonged changes in any of the economic indicators are not expected. The performance of the indicators in February and March will provide an important clue regarding the true strength of the economy in January; that is, whether January's gains were achieved at the expense of or in addition to the usual economic activity in subsequent months.

We are on the web at:  
[www.co.fairfax.va.us/comm/economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)

## Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Jan-98 Prelim.	Dec-97 Final	Jan-97 Final	Dec-97 to Jan-98	Jan-97 to Jan-98
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	103.43	103.26	102.92	0.17	0.50
Leading Index (1987 = 100)	104.79	104.62	104.02	0.16	0.74
<b>Fairfax County Coincident Index Components</b>					
Total Covered Employment (Seasonally Adjusted)	461,194	458,456	441,113	0.60	4.55
<i>Total Covered Employment (Unadjusted)</i>	<i>456,061</i>	<i>464,586</i>	<i>436,203</i>	<i>-1.83</i>	<i>4.55</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	276.6	243.5	253.4	13.60	9.13
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>408.0</i>	<i>363.9</i>	<i>365.7</i>	<i>12.11</i>	<i>11.58</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,666.9	6,830.6	7,242.4	12.24	5.86
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>7,560.4</i>	<i>11,620.7</i>	<i>7,518.3</i>	<i>-34.94</i>	<i>0.56</i>
South Atlantic Consumer Confidence	157.2	176.1	153.4	-10.73	2.48
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	5,171	5,979	6,015	-13.52	-14.03
<i>Automobile Registrations (Unadjusted)</i>	<i>4,349</i>	<i>5,208</i>	<i>5,059</i>	<i>-16.49</i>	<i>-14.03</i>
Initial Unemployment Claims (Seasonally Adjusted)	731	849	931	-13.94	-21.49
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>1,030</i>	<i>828</i>	<i>1,312</i>	<i>24.40</i>	<i>-21.49</i>
South Atlantic Consumer Expectations	107.9	119.4	112.0	-9.63	-3.66
Residential Building Permits (Number of Units, Seasonally Adjusted)	609	975	540	-37.53	12.85
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>448</i>	<i>737</i>	<i>397</i>	<i>-39.21</i>	<i>12.85</i>
Average Residential Building Permit Value (\$='87 Per Unit, Seasonally Adjusted)	80,835	48,344	78,752	67.21	2.64
<i>Average Residential Building Permit Value (\$=Current Per Unit, Unadjusted)</i>	<i>102,313</i>	<i>66,727</i>	<i>99,979</i>	<i>53.33</i>	<i>2.33</i>
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	#N/A	537,790	526,708	#N/A	#N/A
<i>Total Labor Force (Unadjusted)</i>	<i>#N/A</i>	<i>534,423</i>	<i>520,456</i>	<i>#N/A</i>	<i>#N/A</i>
Unemployment Rate (Percent, Seasonally Adjusted)	#N/A	1.82	2.36	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>#N/A</i>	<i>1.68</i>	<i>2.39</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Average Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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